

AMENDED IN SENATE JUNE 3, 1998
AMENDED IN ASSEMBLY APRIL 28, 1998
AMENDED IN ASSEMBLY APRIL 16, 1998

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

ASSEMBLY BILL

No. 2428

Introduced by Assembly Members Knox and Takasugi

February 20, 1998

An act to amend ~~Section 22050~~ *Sections 22050, 22340.1, and 22600.1* of the Financial Code, relating to finance lenders.

LEGISLATIVE COUNSEL'S DIGEST

AB 2428, as amended, Knox. Finance lenders.

Existing law, known as the California Finance Lenders Law, provides for the licensure of persons who make consumer loans and commercial loans, and governs the terms and conditions of those loans. Existing law exempts certain loans and certain persons from those provisions.

This bill would exempt from those provisions any public corporation or public entity other than the state, or any agency of those entities, when making any loan that is funded from public money, as specified.

Existing law with respect to consumer loans and commercial loans authorizes a finance lender, until January 1, 2000, to sell to institutional lenders or investors promissory notes evidencing an obligation to repay certain federally related mortgage loans (consumer loans) or the obligation to

repay real estate secured business purpose loans (commercial loans), as specified.

This bill would extend this authorization indefinitely.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 22050 of the Financial Code is
2 amended to read:

3 22050. (a) This division does not apply to any person
4 doing business under any law of this state or of the United
5 States relating to banks, trust companies, savings and loan
6 associations, industrial loan companies, credit unions,
7 small business investment companies, California business
8 and industrial development corporations, or licensed
9 pawnbrokers.

10 (b) This division does not apply to a broker-dealer
11 acting pursuant to a certificate, then in effect, issued
12 pursuant to Section 25211 of the Corporations Code.

13 (c) This division does not apply to a college or
14 university making a loan for the purpose of permitting a
15 person to pursue a program or course of study leading to
16 a degree or certificate.

17 (d) This division does not apply to a check cashier who
18 holds a valid permit issued pursuant to Section 1789.37 of
19 the Civil Code when acting under the authority of that
20 permit.

21 (e) This division does not apply to any person who
22 makes no more than one loan in a 12-month period as long
23 as that loan is a commercial loan as defined in Section
24 22502.

25 (f) This division does not apply to any public
26 corporation as defined in Section 67510 of the
27 Government Code, any public entity other than the state
28 as defined in Section 811.2 of the Government Code, or
29 any agency of any one or more of the foregoing, when
30 making any loan that is funded by local revenue or a
31 subvention contract or grant of the state or a federal
32 agency. For purposes of this subdivision, “local revenue”



1 means revenue that is derived from taxes, licenses, and
2 fees by a public corporation or public entity.

3 *SEC. 2. Section 22340.1 of the Financial Code is*
4 *amended to read:*

5 22340.1. (a) A licensee that is a finance lender may
6 sell to (1) an institutional lender, or (2) an institutional
7 investor described in paragraph (6) of subdivision (b) of
8 Section 22340, promissory notes evidencing the obligation
9 to repay federally related mortgage loans, as defined in
10 Section 3500.2 of Title 24 of the Code of Federal
11 Regulations, purchased from and made by an institutional
12 lender, and may make agreements for the collection of
13 payments and performance of services with respect to
14 those notes. For purposes of this section, “institutional
15 lender” means any bank, trust company, savings bank or
16 savings and loan association, credit union, industrial loan
17 company or residential mortgage lender doing business
18 under the authority of and in accordance with a license,
19 certificate or charter issued by the United States or this
20 state.

21 (b) In the absence of agreement to the contrary by the
22 licensee and the institutional investor or institutional
23 lender, all payments received from the collection of
24 payments shall be deposited and maintained in a trust
25 account, and shall be disbursed from the trust account
26 only in accordance with the instructions of the owner of
27 the promissory note.

28 ~~(c) This section shall be repealed on January 1, 2000,~~
29 ~~unless a later enacted statute, which becomes effective on~~
30 ~~or before January 1, 2000, deletes or extends that date.~~

31 *SEC. 3. Section 22600.1 of the Financial Code is*
32 *amended to read:*

33 22600.1. (a) A licensee that is a finance lender may
34 sell to (1) an institutional lender, or (2) an institutional
35 investor described in paragraph (6) of subdivision (b) of
36 Section 22600, promissory notes evidencing the obligation
37 to repay real estate secured business purpose loans, as
38 defined in Section 3500.5 of Title 24 of the Code of Federal
39 Regulations, purchased from and made by an institutional
40 lender, and may make agreements for the collection of

1 payments and performance of services with respect to
2 those notes. For purposes of this section, “institutional
3 lender” means any bank, trust company, savings bank or
4 savings and loan association, credit union, or industrial
5 loan company doing business under the authority of and
6 in accordance with a license, certificate or charter issued
7 by the United States or this state.

8 (b) In the absence of agreement to the contrary by the
9 licensee and the institutional investor or institutional
10 lender, all payments received from the collection of
11 payments shall be deposited and maintained in a trust
12 account, and shall be disbursed from the trust account
13 only in accordance with the instructions of the owner of
14 the promissory note.

15 ~~(c) This section shall be repealed on January 1, 2000,~~
16 ~~unless a later enacted statute, which becomes effective on~~
17 ~~or before January 1, 2000, deletes or extends that date.~~

